

Minutes

Focus Meeting: Public Housing

A Spectrum of Challenges

July 25, 2001

Washington, DC

Goal for this meeting: To identify a few high-impact proposals that participants think the Commission should consider recommending to Congress.

Panel One: Traditional Public Housing – Bricks and Mortar Issues

Moderator: Ophelia Basgal

Panelists:

- ♦ Gregory A. Byrne, Project Director, Public Housing Operating Cost Study, Graduate School of Design, Harvard University
- ♦ Sunia Zaterman, Executive Director, Council of Large Public Housing Authorities
- ♦ David C. Morton (via phone), Executive Director, Reno Housing Authority
- ♦ Tim Sciacqua, Executive Director (via phone), Tulare County Housing Authority

Summary of Remarks

Greg Byrne

Project Director, Public Housing Operating Cost Study, Graduate School of Design, Harvard University

I am currently involved in a congressionally funded study to determine the costs of operating well-run public housing. As part of this research, we have been examining what operators of multifamily housing spend, how they manage, and the basket of services they provide. We have come to believe that the uniqueness of the current public housing funding system creates a series of perverse incentives, hinders accountability, and serves to isolate public housing from the broader multifamily industry.

The public housing funding system is different from other forms of assisted housing and causes problems because:

- ♦ It is funded at the organizational level and not at the property level
- ♦ Does not have a routine mechanism for the funding of replacement reserves
- ♦ Has no regular system of capital financing.

The first problem – agency funding — is really about accountability. Public housing is not a project-based funding program. Without project-based funding/budgeting, it is extremely difficult to know what any property is costing to operate. And without

knowing what it costs to operate, it is nearly impossible to manage well. The absence of project-based funding makes it easier for interest groups of different sorts to make claims on agency resources – resources that might otherwise be used to maintain the properties. It also frustrates the ability to intervene in an agency when there are problems.

With respect to replacement reserves, it is simply fiscally irresponsible to spend millions on the development or modernization of a property and not establish a regular fund to pay for routine and predictable replacement needs. Nationwide, public housing capital needs are estimated at between \$18 - \$24 billion, depending on how one counts the amount of funds in the pipeline. This works out to around \$17,000 a unit. Each year, the Congress puts up about \$2.5 - \$3.0 billion through the Capital Grant Program, for an average allocation of about \$1,800/unit.

Some agencies have begun to explore the possibility of collateralizing or leveraging their annual capital grant allocation to raise funds for repairs. The terms that one can receive through these special financing initiatives (debt coverage ratios, loan terms, interest rates, etc.) are much less favorable, however, than might be achieved through traditional multifamily mortgage lending.

Preliminary research indicates it would cost the same or less to switch to financing capital improvements using long term debt and also fund replacement reserves, than it costs today with the annual Capital Fund. To do so, would require some form of credit enhancement – either an FHA-type mortgage insurance program or long-term subsidy contracts to the PHAs - that would assure each property receives the necessary subsidies sufficient to pay for the difference between what it costs to run the property (operating costs, reserves, debt service, and cash flow) and tenant rents.

Assuming one wants to maintain a project-based funding system, the answer to public housing is to make it more like private housing. The recommended changes would make public housing more like privately assisted housing in terms of physical condition, funding structure, and oversight. We are conducting related research on this topic and expect to have preliminary findings this Fall.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Sunia Zatterman

Executive Director, Council of Large Public Housing Authorities

Public housing plays a central role in our national housing policy because of its scale, scope, and its program components that have been tested over the last sixty years. Public housing, combined with Section 8, is essential because it serves a niche market of families that are not served by any other federal interventions in the housing market. As a result, public housing should be looked to as a model for delivering resources. However, there are also certain needs that must be addressed:

- ♦ There is a need to view public housing as a program that was intended to provide housing in perpetuity and not face the regular cyclical crisis of dealing with opting out of the program (i.e. federal low-income tax credit program)
- ♦ There is a strong need for capital investment in public housing as part of a federal part of housing policy. There needs to be both a short-term and long-term solution to this problem.
- ♦ In the short-term, HUD needs to facilitate and streamline the process for approving private financings that accelerate capital investment. Housing authorities should also have greater access to capital markets both thorough their local programs and state HFAs and other federal financing mechanisms. Furthermore, housing authorities should be able to be creative in using these resources to address their particular problems.
- ♦ Government must address the long waiting list for public housing by better coordinating the building of new units with taking people off of the waiting list. The loss of units as a result of the Hope 6 program must be addressed.
- ♦ We should expand the principles of the Moving-to-Work demonstration by 1.) allowing housing authorities the ability to tailor housing strategies to local needs and 2.) deregulating housing authorities with demonstrated performance to operate as responsible public entities in their communities.
- ♦ We need a more balanced view of site and neighborhood standards so that we are not starving inner-city areas.
- ♦ There needs to be a reordering of HUD's performance assessment system. An accreditation model has a lot of merit.

David Morton

Executive Director, Reno Housing Authority

The most important thing that Congress should do for the preservation of the existing stock of public housing is to provide predictable funding for both the Operating Fund and the Capital Fund based on documented needs. Congress should restore the Capital Fund for fiscal year 2002 to at least the level that it was before the administration's proposed 25% cut. The funding for fiscal year 2003 and beyond should be increased to address the backlog in a more direct manner. For the Operating Fund, the Congressionally mandated study by the Harvard Design Group should be used when it is complete. It is quite clear, that many PHAs are seriously under funded and desperately need additional funding for their operation costs.

To increase production of affordable housing, Congress should consider reviving public housing development programs. Many PHAs especially small and medium size ones are well maintained and well managed and providing the services originally intended. There are many areas of the country needing additional housing where deep subsidy, affordable housing is clearly appropriate.

Congress should deregulate PHAs with less than 250 units. Currently, many PHAs spend too much time reporting to HUD rather than managing and maintaining their property. Also, it should expand the number of Moving-to-Work demonstration sites.

We do not favor work requirements or time limits on residents, however, we do support efforts to encourage work, self-sufficiency, and family reunification. Eliminating the Brooke Amendments and adopting a flat rent structure would be an excellent way to achieve all of these.

In conclusion, each well-run housing authority should be able to set its own priorities and agenda based on its local community. PHAs should not be forced to operate under a “one-size-fits-all” model.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Tim Sciacqua

Executive Director (via phone), Tulare County Housing Authority

We definitely need more flexibility to try different approaches at the local level. There is too much diversity in this country for a “one-size-fits-all” approach to the issue. There is a huge difference between the high-rise monolithic structures where much of the nation’s urban poor live and the scattered sites commonly found in the rural areas. Housing programs should not be micromanaged at the federal level through stifling and burdensome laws and regulations.

In the interest of time, I would like to expand on just one area that is in need of systemic change – rent structures. The notion that rents must be tied to income is so entrenched at this point, that most people in the industry no longer even question it. However, it is not the only way. This concept leads to complexity in rent determinations, disputes with residents, and administration burdens. In addition, it provides incentives to under-report income. Given a choice, some agencies might decide that a better option would be to adopt a flat rent system. Its simpler, easier for everyone to understand, and would be perceived as fairer by the working poor.

I would like to encourage the Commission to be open to other models that may emerge from the Moving-To-Work Demonstration sites. As a result of this program, PHAs have designed and are running different experiments, which include changes in rent structure, time limits, the combination of capital and operating funds, and self-sufficiency programs. It is the over regulation of the program, the inflexibility built into a “one-size-fits-all” approach that prevents the industry from simplifying the program.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Discussion

Question (David Stanley): My understanding is that PHAs get most of their authority from state and local statutes. Does the Commission need to consider any federal legislation to allow PHAs greater flexibility?

Comment (Sunia Zatterman): Yes. PHAs already have a lot of the powers, but the money they receive from the federal government comes with strings attached. The issue is the relationship between HUD and PHAs as it relates to the funding mechanism.

Comment (Cushing Dolbeare): Maybe institutionally, we are in the wrong place with public housing. Perhaps the Commission should address whether HUD funding should be more like a block grant?

Question (Ophelia Basgal): What sort of models should we be looking at to create more access to the capital markets?

Comment (Greg Byrne): One approach is to take the Capital Fund and leverage against it. I would prefer a system, however, where I could take debt on the property. Public housing authorities should be able to play by the same rules as everybody else and borrow money against their property.

Comment (Sunia Zatterman): The cost of debt service needs to be addressed. There is a need to streamline the approval process so it is less costly and more efficient. Also, there needs to be a mechanism to address the large backlog through capital grants.

Comment (Tim Sciacqua): I think there are good points on both sides, and we should proceed with caution.

Comment (David Morton): I like the ability to borrow money against the property if one would choose to do so, but I would have problems applying it as a broad brushstroke to the issue.

Question (Ophelia Basgal): What should a PHA do if they do not get any operating subsidy?

Comment (Greg Byrne): They should be able to address rehabilitation needs with debt financing. The Abt study in 1998 suggested that the backlog need was approximately \$1700 per unit per year.

Question (Ophelia Basgal): There has been a recurrent theme that not all housing authorities are alike. Do you see any recognition of property differences between small and large authorities?

Comment (David Byrne): I don't believe that we should allow block grant discretion. But we should let everybody play under the same rules. Smaller authorities that want to operate under 202 rules should be allowed to do so.

Comment (David Morton): We should deregulate them. We should not try to run small PHAs like large ones.

Comment (Tim Sciacqua): I agree with David. Too many small agencies get so confused by all the regulations that they are totally in over their heads.

Comment (Greg Byrne): What would be wrong with moving these small PHAs over to 202s?

Comment (David Morton): We would be delighted, but many 202s have very high operating and management costs. They would also only cover a small portion of the public housing market.

Comment (Tim Sciacqua): 202s are for elderly and disabled projects.

Comment (Ophelia Basgal): What would be the alternative program on the family side?

Comment (David Byrne): They could migrate to the Section 8 project-based program.

Question (Ophelia Basgal): Section 8 project-based housing does not have the same requirements for tenant development, self-sufficiency, etc. that large PHAs do. Is there something different among the needs of the populations that live in each area?

Comment (Greg Byrne): The demographics are not very different at all. I think that it goes back to the funding issues.

Comment (Sunia Zatterman): There is a funding consequence when HUD asks a private owner to take on additional responsibilities. Also, there are differences between the assisted properties and public housing. Public housing is more likely to be located in areas that have high minority and poverty concentrations, and larger family sizes. When you start to break down the aggregated data, you see big differences in the metropolitan areas.

Comment (Renee Glover): Through the MHC, you have the opportunity to propose something fundamentally different in response to these issues. There is not the political will to continue the delivery of inefficient programs. We need to get out of the conversation of regulations and to hear from you about something dramatically different.

Question (Ophelia Basgal): If you are going to go to a private system what is the value-added of public ownership that should be maintained?

Comment (Tim Sciacqua): If you keep the asset in public hands it will continue in perpetuity.

Comment (David Stanley): In the absence of subsidies, the private sector will not build. The breakdown is in the delivery system.

Comment (David Morton): The private sector would be strictly looking at profit instead at looking at services to enhance the community interest.

Comment (Sunia Zatterman): Individual private owners are looking for a market opportunity that is financially viable for them, not how to meet the housing needs of the community. If you don't have public stock then you will not have an efficient and effective delivery of this public good. This is not to say that you cannot operate more efficiently with a variety of private partners.

Comment (Conrad Egan): Going forward, we should keep in mind that there are ways of restructuring the ownership deals differently so that PHAs remain involved.

Question (Ophelia Basgal): What is the proper measurement for accountability?

Comment (Greg Byrne): First and foremost, this is a real estate property. Measurement should begin with whether the asset is performing. Then, there is a policy issue of whether you want to do more than that.

Comment (Sunia Zatterman): The operation of the property is the first place that you look. The regulator needs to know if the property is in good condition and if the money is being used wisely. There is also accountability to your local community about whether you are responding to their needs. We advocate an accreditation system where real estate and public housing professionals come together to set standards for the quality of the properties and those who operate them.

Comment (Tim Sciacqua): Accountability is at the local level for the most part. If you aren't performing, you hear about it.

Comment (David Morton): We clearly have an obligation to the public to maintain the asset.

Comment (Cushing Dolbeare): My field experience in Baltimore and Philadelphia showed me that there was not accountability at the local level. I think there is a mixed system of accountability. What would be reasonable at the federal level? I think the Commission would benefit from some specific proposals and examples.

Comment (David Stanley): There is some support among the Commission to set standards from Price Waterhouse Coopers.

Comment (Sunia Zatterman): CLPHA engaged in a feasibility study of what accountability standards are being used by other federal entities. Both the health and education industries use an accreditation system where a third-party group of individuals set standards.

Comment (Rod Solomon): I encourage you to explore fundamental shifts in funding. There are going to be some things that are going to be very difficult to solve, however: financing the backlog and getting it toward a more property-based system.

Panel Two: Family Self-Sufficiency & Tenant Perspectives

Moderator: Cushing Dolbeare

Panelists:

- ♦ Doris Koo (via phone), Vice President and Director, Western Region, The Enterprise Foundation
- ♦ James A. Riccio, Senior Fellow, Manpower Demonstration Research Corporation
- ♦ Sandra J. Newman (via phone), Director, Institute for Policy Studies, Johns Hopkins University
- ♦ Steven Swanger, Director of Tenant Services, Cambridge Housing Authority
- ♦ Wayne Woodell (via phone), Director of Economic Development and Coordinator, MTW Demonstration, Housing Authority of High Point
- ♦ Catherine Bishop (via phone), Staff Attorney, National Housing Law Project
- ♦ Jill Khadduri, Principle Associate, Abt Associates, Inc.
- ♦ Ed Williams, President, Public Housing Residents' National Organizing Campaign
- ♦ Jackie Massey, Resident Leader, Wheeler Creek Estates

Summary of Remarks

Doris Koo

Vice President and Director, Western Region, The Enterprise Foundation

We cannot provide housing for the very, very low-income unless there are huge subsidies. In the same way, we cannot have full self-sufficiency unless there is community and services support money.

I would like to highlight a couple of issues:

1. There can be no true advancement in self-sufficiency without a strong support network. If we are going to revamp the operating subsidy under the Capital Grant and look at reserve levels, housing authorities should be able to tap into fungible sources for social services. We should also set up a social services reserve account – there cannot just be a brick-and-mortar reserve account.
2. We should look at standardizing the rent and utility allowance system through a flat rate system. This would remove a lot of administrative work.
3. Residents need to know what their responsibilities are to live in a decent unit. The expectations need to be clear.

Jim Riccio

Senior Fellow, Manpower Demonstration Research Corporation

My comments are based on experiences derived from a six-city employment demonstration project called Jobs Plus. The goal of the program is to increase study and

work among participants in the program and to transform low-work, high welfare communities into high-work, low-welfare communities. There is a community support work component that involves information sharing, outreach efforts, and peer supports.

Experiences to date suggest a number of points and recommendations:

1. Congress should expand the formal mission of housing authorities to include the promotion of work and provide funding for it.
2. They should also press housing authorities to collaborate with welfare departments and work force development agencies in their communities. In doing so, they will also need to provide special resources to manage the cross agency administration process. Furthermore, we need to hold these agencies accountable for their performance.
3. We should provide flexible cash resources for employment services (not just in-kind resources).
4. Housing authorities must find a proper role for residents. There should be training for residents to assume concrete responsibilities.
5. Welfare agencies should count residents' participation in employment activities sponsored by housing authorities toward meeting TANF work and participation requirements.
6. Housing authorities need to market non-traditional work incentives such as providing residents information about EITC and helping them get access to childcare.
7. We need to look beyond legislation and provide some provision for monitoring and ongoing technical guidance.

Sandra Newman

Director, Institute for Policy Studies, Johns Hopkins University

The main issue that I want to touch upon is whether there are unique features of housing authority programs that are keeping residents down. The Jobs Plus program is one of the only programs that is looking at this question. Circumstantial evidence suggests that public housing residents are moving off the welfare roles at a slower pace than other groups. However, there is no solid evidence about what is going on. We need to design appropriate studies that give us systematic evidence about what is happening and then we can address what should be done. The Moving-to-Work program was a tremendous missed opportunity to get at some of these issues.

Jill Khadduri

Principle Associate, Abt Associates, Inc.

Abt Associates is doing a rigorous study (with random assignment) of housing voucher programs, which will tell us whether housing assistance makes any difference in peoples' employment opportunities and results.

Steven Swanger

Director of Tenant Services, Cambridge Housing Authority

Public housing should be about more than bricks and mortar. If I have one message for you, it would be this: we should expand programs that provide public housing residents with the skills and resources to gain economic and social mobility. The Cambridge Housing Authority has had positive results in this area by reducing dropout rates among its teenagers and placing adults in jobs.

The success of these programs lies first and foremost in their roots in public housing – in the knowledge of the public housing administrators and residents who develop and run them and in the accessibility of services to residents who often feel isolated and alienated. The second key to success lies in the fact that we have developed an array of services, rather than a one-size-fits-all approach. Third, all of our services utilize a case management approach. Fourth, we recognize that change does not occur overnight, nor is it necessarily a straight-line process.

But there is also a downside of the story. Comprehensive programming requires a substantial, sustained financial commitment. Maintaining funding for our programs has been a struggle. I urge the Commission to consider:

- ♦ Unfunded mandates, especially the one-size-fits-all approach exemplified by HUD's Family Self-Sufficiency Program, result in largely ineffective programming that is often inappropriate to local conditions.
- ♦ The Public Housing Drug Elimination Program should be reinstated.
- ♦ Funding for the former Economic Development and Supportive Services Program should be increased.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Wayne Woodell

Director of Economic Development and Coordinator, MTW Demonstration, Housing Authority of High Point

The MTW program should be expanded in scope. It is a valid way to help families become more self-sufficient.

The High Point Housing Authority has experienced a 7% increase in the average income of its residents over the last two years. The number of families who have earned income has also increased by 2%. We are on the right track.

I agree with statements previously made regarding unfunded mandates and limiting the re-certification of rent applications. Congress needs to be more aware of the problems that PHAs face as a result of their laws and the regulations that HUD must carry out. These regulations are very cumbersome and complicated.

Finally, deregulation should mean deregulation. Congress should allow PHAs more waivers from HUD regulations in order to truly achieve self-sufficiency.

Catherine Bishop
Staff Attorney, National Housing Law Project

There are a variety of efforts that PHAs undertake that are designed to increase self sufficiency and which are funded or required by HUD. They include: Family Self Sufficiency (FSS), Hope VI (Community and Supportive Services), Resident Opportunities and Self Sufficiency (ROSS), Earned Income Disregard (EID), and Section 3. These self-sufficiency efforts should be more focused and coordinated.

Second, there are required programs and strategies that are not being implemented and have no adverse consequences for failure. HUD must develop a strategy to ensure the implementation of rent schedules and income disregards. In addition, the operating subsidy rule should be revised to account for the fact that tenant rents do not immediately increase with increased tenant income from earnings.

There is not currently enough information and publicity regarding self-sufficiency programs and work requirements. HUD should post EID, FSS, and Section 3 information on their web site and make it available to PHAs to distribute to tenants, staff, and other interested agencies.

Fourth, self-sufficiency programs and PHA efforts should be incorporated more effectively into the PHA planning process. PHAs should report on the implementation and execution of EID, FSS circumstances, and Section 3 compliance in their PHA Plan Template. PHA hiring practices need to be changed to include PHAs as a substantial resource for the employment of residents.

Lastly, PHA performance should be measured by the success of residents in obtaining and retaining jobs and by their compliance with mandatory work-promoting incentives. The scoring for the self-sufficiency sub indicator should apply to all PHAs, not just those that receive special funding for programs.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Jill Khadduri

Abt Associates, Inc.

I would like to address two topics: PHAs role in helping people to become more self-sufficient and using rents as an incentive for self-sufficiency.

Self-Sufficiency should be part of the housing authorities' mission, but not part of their job. I do not think that programs based in and administered by housing authorities are the most effective way to move people to work. Instead, creating partnerships with other agencies in the area of employment and welfare is the way to proceed.

The recent elimination of housing authority programs by the Bush administration tells us that funding for these programs is vulnerable. There is not likely to be a consistent stream of money to support them.

The settlement house within public housing model is in many circumstances not the best way to connect families to the mainstream. The Chicago Housing Authority made a good decision to get out of the social services business and link families with other agencies to do this. In some case, however, where residents are being relocated to other forms of housing, social service programs have validation.

There is little empirical evidence that living in public housing reduces work incentives. We do not have enough evidence to move beyond what is already in place.

Ed Williams

President, Public Housing Residents' National Organizing Campaign

The Hope VI program is hurting more than it is helping residents. Hope VI provides for the demolition of public housing units. A study of six out of ten grants performed in 1999 showed that less than 50% of original residents returned to the sites. As a result, the Commission should call for a comprehensive review of the program, which tracks residents and shows what has happened to them. We support Congressional hearings on this topic.

In addition, there is a lack of clarity in the definition of "distressed" public housing, which needs to be addressed. Hope VI has become more of a demolition program than a revitalization program.

Lastly, we need to set a threshold for resident participation. There should be mandatory early involvement of residents in the planning process of rebuilding units.

Jackie Massey

Resident Leader, Wheeler Creek Estates

I just want to say that I was part of the process from the beginning. I am a testament of how the Hope VI program worked.

Discussion

Question (Ophelia Basgal): Are there any thoughts about whether there should be requirements on the front-end for individuals who want to receive public housing to enroll in social services programs? What sanctions should there be if people do not participate?

Comment (Jackie Massey): Not doing anything to promote sufficiency of family is destructive to the system. We need to help people move forward.

Comment (Ed Williams): Until we have a system that creates opportunity, it is difficult for me to support sanctions.

Comment (Steven Swanger): The welfare reform experiment shows that there are some economic disincentives for working. We need to look at whether welfare reform is working before we decide about housing.

Comment (Renee Glover): There are dependency and education issues that may need to be addressed in order to get people to participate in self-sufficiency programs and achieve upward mobility.

Question (Cushing Dolbeare): To what extent are social services such as self-sufficiency programs part of the mission of public housing?

Comment (Sandra Henriquez): I see myself first as a landlord. I don't need to provide social services, but I can form partnerships and collaborate with other providers and agencies that service the same populations. I do not think that public housing is the proper delivery system for services.

Comment (David Stanley): The public housing system seems to be enriched through social service programs. However, I am skeptical as well that they are the right mechanism for delivery.

Comment (Ophelia Basgal): Legislation suggests that PHAs need to at least be at the table in this discussion to ensure that families have access to these services.

Comment (Rod Solomon): As long as there is a grab bag of services about what PHAs can provide, funding will be an issue.

Comment (Steve Swanger): The real reason why a lot of housing authorities are not providing social services is that they have enough on their plate already with funding mandates. Also, there are incentives (i.e. lack of funding, requirements) for PHAs to resent this part of their mission. Social workers do not want to get involved. There needs to be someone internally – a social service professional – and core funding for these programs.

Comment (James Riccio): Jobs Plus sites provide place-based intervention. Services and intervention need to be linked for success. Housing authorities are significant players in this operation. They can build networks of providers and permeate employment messages in their community. We can't expect residents to automatically take advantage of services.

Comment (Kenneth Finlayson): Bricks and mortar needs to be first to make sure that communities are livable. Social services should be second.

Comment (Daniel Anderson): There are functioning local models on the ground, which mix private capital with public housing outside of HOPE VI.

Comment (Kurt Creager): The best role for a PHA is as a case management broker. But there are real gaps that prevent some from achieving employment. Childcare and home ownership are two problems. This issue also depends on whom PHAs define as their customers – the people who live in public housing or those on the waiting list. We need to synthesize bricks and mortar with social services.

Question (David Stanley): There is a conventional wisdom that welfare reform works. Should we integrate these principles in housing?

Comment (Ed Williams): Residents as a whole do not have the perception that services are truly being provided.

Comment (Catherine Bishop): There are many work-related activities out there. Public housing can play a role, but people should not have to participate in these programs. Also, housing is not as easily replaceable as income so I do not think that you can universally apply the same principles to housing as welfare.

Comment (Jackie Massey): There should always be choices. Change takes place when people have choices. Hope VI is a "want to" program.

Comment (Kurt Creager): I am troubled by the loss of hard units in Hope VI. We need to look at this.

Comment (Sunia Zatterman): I am also distressed by the loss of units, but I am not willing to go back to the one-for-one requirement because it is an obstacle for production. We should not define the success of the Hope VI based on a 100% return of residents. A more meaningful measure is to provide choices to residents.

Comment (Ed Williams): I am not convinced that people have choices. There is no hard data on this topic. People may have taken Section 8 vouchers and are not able to get housing because of large waiting lists. We need to hold hearings to hear from residents who have been displaced.

Comment: The Urban Institute has put out a preliminary study on what has happened to residents in approximately thirty Hope VI sites. It shows that there has been dispersement of individuals into less concentrated poverty areas. There are also problems with relocation that are much broader than Section 8 housing.

Comment (Cushing Dolbeare): Talking about the specifics of programs, divide us. We need to look at ways to unite us in how to move forward.

Question (Renee Glover): What things do we need to look at to get residents engaged in the social services process?

Comment (Ed Williams): You need to treat residents as partners in the decision-making.

Panel Three: Mixed-Income Housing and Neighborhood Revitalization

Moderator: Renee Glover

Panelists:

- ♦ Sandy Henriquez, Executive Director, Boston Housing Authority
- ♦ Michael Kelly, Executive Director, D.C. Housing Authority
- ♦ Keith Hamre, Manager, Community Development Division, City of Duluth
- ♦ Pamela Kramer (via phone), Program Director, Duluth LISC
- ♦ Ned Fowler (via phone), Executive Director, Northwestern Regional Housing Authority
- ♦ Carol Naughton, Deputy Executive Director, Legal and Non-Profit Services, Atlanta Housing Authority
- ♦ Ron Wilson, Director of Housing Initiatives, Enterprise Homes, Inc.

Summary of Remarks

Sandy Henriquez

Executive Director, Boston Housing Authority

Public housing is real estate and everything about it is real estate, and yet it is viewed as a different sort of entity. Public housing is an incredibly valuable asset. Those who operate it are not just viewed as landlords in the traditional sense of the word.

Public housing has been limited by HUD's focus on the actions of the housing authorities' staff with no seeming relationship to the operation of the actual property. HUD's multi-family side gets it, but on the public housing side, the real estate asset takes a back seat. Public housing has given way to social and economic demands. HUD's values are imposed through its programmatic guidelines, which often reflect the "flavor of the month" in Washington.

HUD must understand that its fundamental role is as a real estate asset manager. The operation of public housing needs to meet real estate housing standards. How we talk about public housing should approximate the real estate industry. It is also important to remember that all real estate is local. There are baseline standards in the industry and

prevailing community standards that have a far greater impact on the delivery of services in public housing portfolios.

There are different models for the delivery of quality housing. But whether privately or publicly managed or developed, there must be a long-term commitment to the viability of public housing because it holds an important place on the continuum of low-income affordable housing. It is a part of a longer line of choices available to people.

Hope VI brought an opportunity for private sector financing for public housing – this was very promising. However, HUD’s use of private mechanisms has only been partial, because HUD can’t seem to get out of its own regulatory way. The Commission should reorganize HUD itself to change its culture and how it defines itself.

Ned Fowler

Executive Director, Northwestern Regional Housing Authority

The issue that we are most concerned with is the need for a leverage production program at HUD, particularly one that is not tied to the replacement of dilapidated housing. Non Hope VI mixed-income and mixed-finance development is a remarkably effective tool in rural America. In rural areas housing authorities do not always have access to funds that are available in other areas (i.e. CGBD funds). We are often strapped for financing.

I would also like to refer the Commission to the written comments of the National Rural Housing Coalition Board found at www.nrhweb.org

Pamela Kramer

Program Director, Duluth LISC

Keith and I are representing a partnership of the city, LISC, and a number of organizations in the community with our housing authority. A key part of working in Duluth has been putting together a collaborative effort called “At Home in Duluth.” Through this program the Duluth HRA, LISC, the city, CDCs, Chamber of Commerce, local real estate agencies and others meet monthly to develop and implement targeted revitalization plans. We are all working in partnership together.

There are some key points to mention in regard to how housing authorities can be successful in participating in these type of programs:

- ♦ There is a need for a new production tool. Tax credits and city allocation of home funds are important but cannot alone provide the necessary resources.
- ♦ The capital grants program cannot meet the needs of large public housing sites. Hope VI resources should be available.
- ♦ There should not be a net loss of public housing units.

Overall, we need program tools to meet the demands of the local markets and to allow for flexibility and creativity.

Some recommendations that I would make to the program include:

- ♦ Creation of a workable housing production program
- ♦ Continuing successful programs like Hope VI
- ♦ Provide incentives so there is no backlog of housing for very low-income people (one suggestion would be to give extra points on Hope VI applications for very low-income housing)
- ♦ Need to ensure that there are not excessive regulations for program partners
- ♦ Resources and flexibility are the keys

Michael Kelly

Executive Director, D.C. Housing Authority

On the principles of revitalization, I would like to encourage the panel to consider the findings of the Urban Institute, specifically the need for resident and civic involvement, smart growth, architecture, diversity, and the importance of open space. We should establish basic principles from programming as we look forward in recreating our neighborhoods.

On the mixed-use side, the general recommendation is to make no small plans. We need to think outside of the box so that changes will last through changing social movements. We should look at the following:

- ♦ Development of portfolio assessments
- ♦ Keeping an eye out for income generation (examples: supermarket development, M Street property sale)
- ♦ Using tenant-based Section 8 housing vouchers as part of development deals
- ♦ Inclusionary zoning
- ♦ Commercial loans such as that through Bank of America

Carol Naughton

Deputy Executive Director, Legal and Non-Profit Services, Atlanta Housing Authority

First, we need to define mixed-income. We need to adopt a definition that encourages the broadest range definition. This is important because it creates a community with some economics behind it and helps to improve quality-of-life infrastructure. You can create a desirable community with great market quality that has long-term viability.

Hope VI gives us more tools to do things that change families' lives. I agree that the first thing you need to do is create well-managed real estate. I think it is very difficult for people to maximum their opportunities and take advantage of social services if this is not the case. There are several constituencies that are served my Hope VI: the existing residents, future residents, neighborhoods, and schools.

Communities have their own personalities with respect to the Hope VI process. Some may want to be involved in all aspects of the process, others may just want to get their Section 8 voucher and get out. The right question is not to ask why everyone is not coming back, but rather what is going on with these families.

It makes sense to have a public sponsor of revitalization deals. This is a wonderful role for the public housing authority. Private developers have a critical role in terms of their expertise. If both work together, they can be better than sum of their parts.

I agree with Sandy, that we need to fight regulation creep. It is going to chase private sector developers out the market if we do not bring some reason and value to the regulations that are put in place.

The last thing that I want to mention is success measures. It is too early to determine whether or not Hope VI and mixed-income is going to be all we hope it to be. The legal and financial model has only existed since March 8, 1996. There is not enough history to determine whether it is going to work long-term. It seems, however, like a better strategy for large community revitalization programs than what we have done in the past.

In summary, we should extend and expand the Hope VI program. We also need a new housing production program that does something different than Hope VI that addresses getting more units built and is not connected to revitalization. And we should end the regulatory madness.

Ron Wilson

Director of Housing Initiatives, Enterprise Homes, Inc.

Enterprise Homes has completed more than 2,000 public housing units and successfully obtained Hope VI funding.

Congress should retain and increase the funding for Hope VI programming. The Hope VI program is the best example of mixed-income housing. It has been instrumental in breathing new life into communities and is successful because of its all-inclusive community perspective. We hope that it has helped to end the social stigma of public housing. Our Hope VI units compete with the best housing in the area. It has also helped to end the isolation of public housing authorities, because they are now tied to developers, lenders, and service providers in the community.

The costs of Hope VI development are comparable to other housing in our area. We must also understand that we are dealing with residential brown fields. Housing must first be taken down and then replaced. Social services costs tied to Hope VI are necessary costs to give people who are not moving back to public housing opportunity. However, these costs should not be lumped together with development costs of the program.

We need to look at what other self-executing housing opportunities we can create for small, non Hope VI housing authorities to revitalize their enclaves of poverty. HUD has

begun to address this issue with the creation of the Replacement Housing Fund in 1997. We should use this existing program as a springboard to increasing availability of funding. We should also look at using more Capital Grant funds in combination with private funds for mixed-income areas.

Congress should continue to let programs have flexibility and to extend their authority. HUD should allow housing authorities to operate under existing housing lending standards such as down payment requirements. The community lending industry has gone beyond where HUD is and we should let them prevail.

We will not be able to sustain, however, the existing support for Hope VI programs, if we do not create a new production program for very low-income people. To do so, we need to repeal the Faircloth Amendment that restricts the production of more subsidized units.

There is also a need to make Hope VI funds as flexible as CDBG in working with tax credit programs. This will increase the amount of leverage and private lenders. In addition, Congress should consider an additional set aside on tax credits for municipalities who develop public housing. Some states are doing this now. Finally, we should also look at ways of increasing private financing (i.e. incentives for banks).

Discussion

Question (Ed Williams): How much does it cost to create a unit of public housing using Hope VI money? There are costs in addition to demolition, construction, and site development such as developers' fees, lawyers' fees, and administrative costs. In the residents' view the jury is still out on how that benefits residents in terms of mixed-development communities.

Comment (Sandy Henriquez): It is difficult for us in Boston to know whether to go after big development dollars or whether to fix up existing units and lose units in the process. There is not a clear answer and we struggle with this all the time.

Comment (Ed Williams): It is difficult for residents to feel like housing administrators are being genuine.

Comment (Carol Naughton): In Atlanta, it costs us between \$54,900 and \$78,000 per unit.

Question (Renee Glover): What recommendations would you make to ensure greater participation from the private sector in this process?

Comment (Ron Wilson): There needs to be more sharing of ideas in how things are being done in other places.

Question (Renee Glover): What are the roadblocks for private investors?

Comment (Daniel Anderson): The pattern of regulation is burdensome. Having said that, however, my own sense is that there is a lack of motivation in the industry to change. The alternative models are trotted out in meetings throughout the year. One of the real drivers in this is that it all pays the same if you don't want to change. The industry is dominated by the "SALY Model," the Same As Last Year. Until you induce something that penalizes this type of behavior, you will get more of the same.

Comment (Norm McLoughlin): The Davis Bacon paperwork is very cumbersome. We should look to see how many states have adopted Little Davis Bacon statutes to get around this.

Comment (Kenneth Finlayson): The HUD institution is not a good vehicle for change.

Comment (Sandy Henriquez): I agree, organizations tend to model themselves in a way that responds to their agency's oversight.

Comment (Carol Naughton): We are a "SALY" industry because we are so heavily regulated. It takes so much time to comply with all the rules and regulations that at the end of the week there is not much time left for creative thinking.

Question (Renee Glover): Is it feasible to have only one set of standards for public housing programs?

Comment (Ron Wilson): If public sector financing were more like Section 8 or block grants, if you could just go the bank and ask for a normal loan, these things would all be beneficial. One set of standards would be better than the plethora of regulations that we now face, as long as they are applicable to all forms of public housing.

Comment (Kurt Creager): I fear that you would get an omnibus set of regulations that would encompass the most complex of all regulations. So for that sake, I would rather live with a rather confusing array of rules that at least I understand, than put up with the uncertainty of something that could be worse.

Panel Four: Public Housing: Moving Beyond the "Traditional Model"

Moderator: Renee Glover

Panelists:

- ♦ Kurt Creager, Executive Director, Vancouver Housing Authority
- ♦ Norman McLoughlin, Executive Director, Kitsap County Housing Authority
- ♦ David S. Anderson, Senior Vice President, Community Development Banking, Bank of America
- ♦ Richard C. Gentry, Senior Vice President, Asset Management, National Equity Fund, Inc.
- ♦ Walter D. Webdale, President, AHC, Inc.
- ♦ Wendy Dolber, Managing Director, Tax-Exempt Housing Group, Standards & Poors
- ♦ Kenneth J. Finlayson, Executive Director, City of Yuma Housing Authority

Summary of Remarks

Richard C. Gentry

Senior Vice President, Asset Management, National Equity Fund, Inc.

I have three brief points that I would like to make:

1. It would be very useful for this Commission, to reiterate that there is a huge difference between what a local housing authority is and what the federal public housing program is. There is a lack of distinction in the public's mind about this. One is a discrete federal program and the other is a local administrative entity. A housing authority can do much more than just public housing.
2. Public housing is a deeply flawed program that is incapable of being reformed in its present form. It needs radical and revolutionary reform. There has been a dysfunctional rent system for the last 32 years that basically punishes residents for being productive. The system needs to be started over. I would encourage the Commission to look at some of the attributes of programs that we generally consider successful such as low-income housing tax credits, the Home Program. The flexibility and accountability built into those provide a better construct than what we currently have. Over regulation by HUD has decreased accountability on the part of PHAs.
3. Local housing authorities need to have a better understanding of local housing finance. There are models to deal with this such as the NCDI program and the NARAL Alliance. These have helped to educate housing authorities about their development capacity and unleash their powers for reform.

Daniel S. Anderson

Senior Vice President, Community Development Banking, Bank of America

You need to look at patterns of resource delivery. Folks do what is paid for so follow the money. Public housing is a monopoly entitlement that flows to a single class of actors who are not subject to competitive selection and optimization pressures. It all pays the same. This structure offers weak incentives for change and improvement.

Tinkering with the program will only leave us with the same problems years from now. We need deep and systemic change. Fundamental change should incorporate strong incentives for change, flexible site-based income targeting, while preserving the very low-income focus of the federal resource flow. The revised pattern for resource delivery should include:

- ♦ Competition for access to resources under state or local supervision
- ♦ Real estate which is competitively viable in its local market on a basis other than the presence of a deep rent subsidy

- ♦ Involvement of private risk capital, property management and development skills
- ♦ Links to the wider community

We need to get rid of the monopoly entitlement access and open up resources to a range of competitive players. To do so, we should block grant resources to the states for periodic allocation pursuant to a competitive process that involves not only PHAs. Devolution to the states should be strong and curtail the oversight role of HUD.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Walter D. Webdale
President, AHC, Inc.

We need to eliminate the current machinery and go down a new road. Therefore, we should use federal legislation to eliminate local housing authorities and create regional housing development agencies. I propose federal legislation that would phase out local PHAs over a five to ten year period and create a new creature – Regional Housing Development and Financing Agencies.

The function of these agencies would be:

- ♦ To create, develop, and manage affordable housing
- ♦ To acquire for operation and/or redevelopment the assets of the local housing authorities so that they are free from old restrictions

The regional agencies would be chartered by states and have boards appointed by local officials. Federal set asides and block grants would go directly to these agencies, which would be run more like corporations.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Wendy Dolber
Managing Director, Tax-Exempt Housing Group, Standards & Poors

PHAs can achieve increased access to the capital markets through creation of creditworthy debt transactions. To be ready to compete in the capital markets and achieve greater financial flexibility, PHAs need to expand and improve managerial and administrative capacity. HUD and Congress can play a major role in this process. To achieve the highest ratings possible, PHAs need to gain Congressional and HUD support for their financings.

There are two types of financing – capital fund securitizations and project based financings.

1. Capital Fund Securitizations: There are many strong attributes of the public housing system that argue for strong ratings in this sector. However, the support

of the Federal government and the PHAs' capacity to institute a large-scale redevelopment program with bond funds is critical to the success of the financings.

2. Project-based Financings: Strong PHAs with good track records in developing and managing affordable rental housing add a great deal of strength to the credit quality of these ratings. There are few PHAs who participate in this type of financing, however. Programs that help to increase PHA capacity and pave their way to the capital markets could greatly increase the preservation of affordable housing.

The capacity of the housing authority is critically important in terms of what they need to be ready to go to the capital markets and converse with the markets and to hold up their end of the bargain once the deal is done. Private sector evaluations can help in this regard, since the current model that HUD uses does not address a lot of the things that housing authorities need to do in the capital markets. There is hesitancy among PHAs to engage in this process, however, without approval from HUD. There needs to be a way to create readiness among PHAs to move forward. A more streamlined approval approach would help.

Norman McLoughlin

Executive Director, Kitsap County Housing Authority

I would like to address a few areas where Housing Authorities can meet local needs:

- ♦ Preservation of existing housing
- ♦ Urban revitalization
- ♦ Homeownership opportunities

Preservation of existing subsidized housing is cost effective and a natural first step for authorities that are not familiar with development of new construction. Although, there are a number of opportunities in rural areas, some Rural Development offices force local housing authorities to use private management firms that can cause noncompliance and a non-economic situation. Local housing authorities need to be able to manage the units directly or collect asset management fees and to budget for indirect costs. HUD's Market-to-Market program facilitates sales to local housing authorities and non-profits. There should be much more emphasis on these efforts. The most important request in this sales effort would be to allow exit tax relief for owners as proposed by the National Leased Housing Association.

Smart growth principles should be followed in creating mixed use/mixed income housing opportunities near affordable transportation. Special consideration should be given under Home and CDBG programs for projects in urban areas with revitalization master plans.

Finally, the self-help-housing program of Rural Development is the single best government-housing program, because it creates community. This program needs to be

expanded and enhanced through more 502 direct loan funding and 523 technical assistance grants. We should also look at ways to enhance private funding efforts such as the “all in one” loan that KCCHA received through Key Bank.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Kenneth J. Finlayson

Executive Director, City of Yuma Housing Authority

Public Housing is an outdated “Rooseveltian” public commission form of governance that is no longer effective. Having politicians appoint civilian commissioners to a board is no longer appropriate and does not work. This structure creates “institutional violence” on low-income America by imposing the jurisdiction’s socio-political approach to poverty on the operation of public housing. Public housing then becomes reactive and externally oriented through its focus is on constituency satisfaction rather than operational results. This model also decreases efficiency by increasing the public entity costs of developing affordable housing.

Therefore, we must change the core structure of the program itself. Public housing is a business and should be operated like a business. I recommend that we take the “public” out of public housing and authorize states to give jurisdictions the option of converting PHAs to private non-profit agencies. Then, commissioners would serve more as advisors and not be connected with the political process.

For the full text of comments, please see <http://www.mhc.gov/focus.html>

Kurt Creager

Executive Director, Vancouver Housing Authority

I would like to provide a little background on what we have done at the Vancouver Housing Authority so that you can get an idea of the lens through which I am looking when it comes to my recommendations.

In Vancouver, we have block granted capital and operating funds, merged housing vouchers and public housing budgets, and set time limits. There is compulsory participation of all able households and we have set up escrow accounts for residents. We are trying to fill gaps in the areas of childcare and homeownership through a case management approach. A couple of years ago we also asked S & P to do a private evaluation of us, which came out very strong. This is important for us because only half of our money comes from HUD.

As for my recommendations, I believe:

1. We should block grant LRPH/Section 8 Capital and Operating Funds
2. There should be a safe harbor for agencies that have strong private evaluations

3. We should promote/incentivize regional cooperation with alternative structures. There needs to be a financial incentive for cooperation.
4. We should lift the regulatory for small agencies.
5. We need to enable new production through: mixed income, capital subsidies and non-operating subsidies, bond guarantees fund for LHAs, and ensure mixed-use capacities.
6. We should expand and refine the Moving-to-Work program.
7. We should link Hope 6 reauthorization to Smart Growth principles.
8. There should be more support for creative ventures such as the NAHRO Access Alliance.

For a slide show of these comments, please see <http://www.mhc.gov/focus.html>

Discussion:

Question (Renee Glover): What should HUD's role as a regulator be?

Comment (Dan Anderson): The best regulation is not micro-specified. We need to expand the number of stakeholders, particularly the ones that are capital at-risk. Second, you need to have developments compete on a basis other than subsidy. It has got to compete as real estate. There is a discipline imposed by this that you will never create with regulations.

Comment (Richard Gentry): I think generally the government does three things exceedingly well and one thing in a miserable fashion. It collects and distributes money very efficiently. It governs and makes institutions accountable and it provides a broad direction of purpose and goals. However, it does the "thou shall" very badly. The more the government and HUD micromanages, the more wrong it is. You need to require agencies to plot their own course within broad parameters, impose real sanctions when they screw up, and otherwise leave them alone.

Comment (Kurt Creager): We are most productive when we are flying under the radar of HUD.

Comment (Richard Gentry): I think one of the biggest fears people have is that if the program changes, the customer base will not be served. This is a false fear. We can set up better accountability if we alter the delivery system.

Comment (Ed Williams): I do not think the fear is so much of change, but rather who has the power to orchestrate the change. Historically, there has been insensitivity toward clients as a social problem.

Question (Renee Glover): What are your recommendations on the change of governance for the housing authority structure?

Comment (Daniel Anderson): The mechanism by which commissioners are appointed and serve is typically governed by state law and not federal statute. Unless you condition access to federal resource on something different from state law, I'm not sure what role the federal government can play. You can have nominally identical appointment mechanisms and produce wildly different results. That is a product of local political culture and I'm not sure how you can change this by federal mandate. If you are serious about changing the governance structure, you will need to change how resources are allocated and introduce competition which rewards, incents and pays for excellence.

Comment (Renee Glover): Well, for example, some statement about the need for professionalism. Some guidance might be helpful.

Comment (Daniel Anderson): You can't run a patronage system if you have nothing to dividend. That's why a resource allocation system which offers competitive rewards to competent developers and stewards of housing for extremely low income citizens is so important. And it is the absence of incentives for change in this direction which characterizes today's public housing system and its monopoly access to federal resources.

Comment (Walter Webdale): We really need to move PHAs up a level so that we do not just have local patronage.

Comment (Kenneth Finlayson): We have had problems in the past with our board blaming and micromanaging. In order to fix the problem, we appointed people who were committed to the goals of the program and knew what they were doing. This got rid of some of the political incestuousness in the process.

Comment (Richard Gentry): There is nothing wrong with making a statement as to purity of governance. I am just not sure how effective it would be. It is the controls that you put on the money that would be better.

Comment (Julio Barreto): It is incredibly naïve to think that you can get the politics out of the dilemma. In fact, you will make the politics worse the higher up you go, particularly when it comes to central cities. You will run into politicians who will enact policies that will go against you. Public housing has to change because it is screwed up – if you fail, you get rewarded and if you succeed, you get punished. If you make failure pay – through money or real sanctions - you'll get politicians to act the way you want them to. Once you do that, you can make the changes that you want.

Comment (Rod Solomon): The message that the Commission sends along with its report will be very important in determining whether anything will happen in response to its recommendations. It is very easy for some of these well-meant recommendations to be construed by various groups as attacks on certain communities. It is a real challenge to craft something that will make improvements and also have people understand what you are doing.